

Congress of the United States

CONGRESSIONAL OVERSIGHT PANEL

September 15, 2009

The Honorable Timothy F. Geithner
Secretary of the Treasury
United States Department of the Treasury
Room 3330
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Mr. Secretary:

Thank you for taking the time to testify before the Congressional Oversight Panel last Thursday. It is always instructive to hear directly your views on the current state of the economy and the progress that has been made over the past year. The Panel is currently compiling a list of questions for the record, which we expect will be ready for your review shortly.

In the meantime, I hope that you can provide us with the information regarding the stress tests that you and I discussed both during and after your testimony. At that time, you said that you would be willing to provide us with the inputs and formulae for the stress tests. We would appreciate receiving that information as soon as possible. In addition to that information, we are also interested in receiving answers from you to the following questions, some of which were included in the request for information we sent to you on March 30, 2009.

You stated during your testimony that the indicative loss rates that were used to estimate losses in the more adverse scenario set higher than those seen by the United States during the Great Depression. Obviously we have not actually seen such high loss rates. What factors led you to believe that it was necessary to use such a conservative estimate?

As part of the stress tests, the bank holding companies being tested were required to provide loan loss estimates in twelve categories under each of the proposed scenarios, guided by indicative loss rates provided by the Federal Reserve. Now that results from the first two quarters of 2009 are available, how do the actual first and second quarter results compare to the estimated loss rates and the indicative rates? Are you able to provide us actual loss rates in each of the twelve categories for both quarters? To the extent that the actual results differ from the indicative rates, what factors contributed to the divergence?

During the hearing, you testified that the fact that unemployment figures are higher than were estimated in the more adverse scenario is immaterial to the value of the stress test results. Because the unemployment metrics were those advanced by the Treasury, can you explain why this is true? What factors were considered in reaching the metrics that underlay the indicative

loss rates and how was each factor weighted? Why were these factors selected, and how was it determined how each should be weighted?

Again, thank you for your testimony last week. I look forward to receiving the inputs and formulae used in the stress tests, and your answers to the questions above.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Warren", with a long horizontal flourish extending to the right.

Elizabeth Warren
Chair
Congressional Oversight Panel

Cc:
Mr. Paul Atkins
Rep. Jeb Hensarling
Mr. Richard H. Neiman
Mr. Damon A. Silvers